

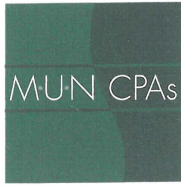
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**TAHOE CITY PUBLIC UTILITIES DISTRICT**  
Tahoe City, California

**REPORT TO MANAGEMENT  
FOR THE YEAR ENDED  
DECEMBER 31, 2013**

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**MANN, URRUTIA, NELSON, CPAS & ASSOCIATES, LLP**  
2515 VENTURE OAKS WAY, SUITE 135  
SACRAMENTO, CA 95833



MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP  
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

## REPORT TO MANAGEMENT

April 18, 2014

To Management of Tahoe City Public Utility District  
Tahoe City, California

In planning and performing our audit of the financial statements of Tahoe City Public Utility District (the District) as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated April 18, 2014, on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

A handwritten signature in black ink that reads "Mann Urrutia Nelson CPAs".

Mann, Urrutia, Nelson CPAs & Associates, LLP

**Tahoe City Public Utility District**  
**Communication of Control Deficiencies and Recommendations**

**Inventory**

Based on our prior year recommendation, the District performed an inventory count for their water and sewer fund, valued the inventory, and recorded the balance on their general ledger. As this was the first year that inventory was recorded, we have the following recommendations to help establish a proper inventory system.

- Perform an annual inventory count, at a minimum.
- Reconcile perpetual records to actual counts and investigate any differences
- Establish a system to monitor usage and purchases.

A properly functioning inventory system will help generate more accurate interim financial statements and minimize the likelihood of making large physical inventory adjustments.

**Due to/from Account Balances**

Generally due to/from accounts are used to account for short-term interfund loans. Per our review of the District's due to/from accounts, it appears balances are accumulating and not being cleared out. We recommend that the District clear out their interfund due to/from accounts periodically. However, if the interfund loan is indeed considered long-term, we recommend the District utilize advances to/from accounts and generate an agreement for the repayment of funds.

**Tahoe City Public Utility District  
Status of Prior Year Recommendations**

**Bank Reconciliations**

We noted that monthly bank reconciliations were not consistently marked as reviewed by the Accounting and Employee Services Director / Treasurer. We recommend that all bank reconciliations are reviewed timely and that the reviewer sign the bank reconciliation indicating the reconciliation has been reviewed.

**Status:** During our testing, we only noted one bank reconciliation that was not signed, which was considered an isolated incident. All other bank reconciliations were signed as reviewed. We will deem this recommendation as implemented.

**Journal Entry Review**

During our review of journal entries we noted that the District does not have a formal journal entry review process. We recommend that the journal entry review process should include periodic review of all journal entries by the Accounting and Employee Services Director / Treasurer. The journal entry review process should be implemented and documented in the Financial Department Policies.

**Status: Implemented**

**Cash Disbursements Process**

During our testing of cash disbursements we noted that the Accounting and Employee Services Director / Treasurer reviews the proof list as part of the control procedures over cash disbursements. If the Accounting and Employee Services Director / Treasurer noted changes on the proof list, the Account Clerk II would make the changes in the accounting system and destroy the proof list. A new proof list is not printed and reviewed by the Accounting and Employee Services Director / Treasurer. We recommend that all proof lists are reviewed by the Accounting and Employee Services Director / Treasurer and a copy of the signed proof list is maintained by the accounting department.

**Status: Implemented**

**Inventory**

As a result of procedures performed over inventory, we noted that supplies and parts inventory exist, however a physical inventory is not performed, nor is the cost of inventory tracked electronically. We recommend that annually a physical inventory count is performed. The inventory amount should be recorded on the statement of net position and reconciled annually to inventory counts performed.

**Status: Partially implemented. See current year recommendation.**